OPSC Directives	**D – 05/2013**	English

Key information and additional disclosure requirements for investment foundations

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Addressees: Investment foundations and auditors of investment foundations

Contents

The Occupational Pension Supervisory Commission (OPSC),

having regard to Article 35 para. 3 and 4 and Article 38 para. 7 and 8 of the Ordinance on Investment Foundations of 22 June 2011 (ASV/OFP; SR 831.403.2),
issues the following directives:

1 Principle

The key figures for costs, returns and risks listed below are to be published at least quarterly, and where applicable on an annualised basis, for 1 year, 5 years and 10 years (or since launch). Costs, returns and the key risk indicator of volatility must also be published for each investment group on an audited basis in the annual report of the investment foundation. The annual report must state where all the other key risk indicators can be found.

2 Costs

The total expense ratio (TER) must be disclosed for each investment group in accordance with a concept recognised by the OPSC. Any performance-related fee is to be indicated separately as a percentage of net assets, stating whether or not a high water mark or hurdle rate was applied.

3 Return

The annualised time weighted rate of return (TWR) must be disclosed. In the case of closed investment groups, the internal rate of return (IRR) should be indicated instead of the TWR.

4 Risk

The following key risk indicators are to be disclosed:

- Volatility
- Sharpe ratio
- Tracking error
- Information ratio
- Beta factor
- Jensen's alpha
- Maximum drawdown and recovery period
- Modified duration

In addition to the ex-post tracking error, the expected tracking error is to be indicated in each case on an ex-ante basis for the next 12 months.

5 Special cases

5.1 Investment groups holding direct real estate investments

The key information specified in the Conference of Investment Foundation Managers (KGAST) guideline on key performance and risk indicators for real estate investment groups must be disclosed annually for all investment groups that hold direct real estate investments.

5.2 Investment groups holding alternative investments

In the case of investment groups that hold alternative investments, the key risk indicators of minimum volatility, maximum drawdown and recovery period are to be disclosed as a minimum. Information must be provided about the basis (daily, weekly, monthly or quarterly figures) on which this key information is calculated. The other key indicators should also be published if applicable.

6 Benchmark

If a benchmark is used, it must be named. Its composition and calculation method must be known and this information must be easily accessible, at least at investment segment level. The key indicators are to be disclosed in respect of the benchmark *mutatis mutandis*.

Once selected, a benchmark cannot be changed without good reason; this is to ensure continuity and comparability. In the event of a change of benchmark, investors must be notified well in advance, stating the reason. The reason for the change must also be mentioned in the annual report.

7 List of securities

The list of investments for each investment group is to be made available to investors on request at least once annually in electronic, editable form.

8 Entry into force

This directive applies for the first time to financial years ending on or after 31 December 2014.

19 December 2013

Occupational Pension
Supervisory Commission (OPSC)

President: Pierre Triponez

Director: Manfred Hüsler

9 Explanatory notes

9.1 Chapter 1 (Principle)

If audited information is not available for the period before 2014, this must be indicated accordingly in the annual report.

9.2 Chapter 2 (Costs)

The TER concepts recognised by the Occupational Pension Supervisory Commission (OPSC) are listed together with the corresponding restrictions in the notes[1] to directive no. 02/2013 of 23 April 2013 on reporting asset management costs.

If the investment foundation also records transaction and tax costs (TTC) for each investment group, these must be disclosed separately.

9.3 Chapter 3 (Return)

The following conditions in particular apply to the calculation of returns:

- Total return basis used
- Accrued interest calculation applied
- Return figures linked to create geometric returns
- Net returns, i.e. after deduction of all costs (TER and TTC costs). This means that non-reclaimable taxes in particular must be deducted
- All investments of the investment group taken into account, i.e. including all forms of liquid assets
- All external inflows and outflows taken into account without recognition in the income statement

As a rule, returns are to be published on an annualised basis. In the case of investment groups issued during the period under review, this key figure must be calculated from the date of their launch.

9.4 Chapter 4 (Risk)

As far as possible, all key indicators are to be calculated on the same basis.

Descriptions of volatility and other key risk indicators may be taken from the table in section 9.7 on 'Key risk information'.

9.5 Chapter 5 (Special cases)

KGAST has issued guidelines on key performance and risk indicators for real estate investment groups[2] that must be calculated annually. The requirement to publish key information on a quarterly basis does not apply to investment groups that hold direct real estate investments.

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[1] cf. http://www.oak-bv.admin.ch/de/regulierung/weisungen/index.html

[2] Cf. http://www.kgast.ch

9.6 Chapter 6 (Benchmark)

The choice of benchmark is of cardinal importance; comparison with a benchmark makes it possible to identify any deviation from targets at an early stage as well as assess the performance of the portfolio manager.

9.7 Key risk information

Key indicator	Calculation	Description
Volatility	√Variance	Average fluctuations in absolute return around the mean
Sharpe ratio	$\frac{\text{Portfolio return p.a. – risk-free interest rate p.a.}}{\text{Volatility of portfolio}}$	Absolute excess return per unit of risk
Tracking error	Standard deviation (portfolio return p.a. – benchmark return p.a.)	Average fluctuation in portfolio return around the benchmark return (volatility of relative return = active risk) Tracking error shows how close to the benchmark assets under management are
Information ratio	$\frac{\text{Portfolio return p.a. – benchmark return p.a.}}{\text{Tracking error}}$	Increase or decrease in return per active risk
Beta factor	$\frac{\text{Co-variance between portfolio return and benchmark return}}{\text{Variance of benchmark return}}$	Market risk assumed / sensitivity to price changes in the market
Jensen's alpha	(Portfolio return p.a. – risk-free interest rate p.a.) – β x (benchmark return p.a. – risk-free interest rate p.a.)	Average risk-adjusted increase or decrease in return
Maximum drawdown	$\frac{\text{Peak value before largest drop - Lowest value before new high established}}{\text{Peak value before largest drop}}$	Maximum total loss within a given period, irrespective of interim partial recoveries
Recovery period	Date of return to prior peak – date of lowest value following price drop in accordance with chosen period for maximum drawdown	Period until the preceding maximum loss is compensated (given in days or years)
Modified duration	$\frac{\text{Time-weighted present value of bond's cash flows}}{\text{Present value of bond's cash flows}}$	Degree of sensitivity to changes in interest rate levels